

**CITY COUNCIL OF THE CITY OF SAN DIEGO
SUPPLEMENTAL DOCKET NUMBER 2
FOR THE REGULAR MEETING OF
TUESDAY, JULY 27, 2004 AT 10:00 A.M.
CITY ADMINISTRATION BUILDING
COUNCIL CHAMBERS – 12TH FLOOR
202 “C” STREET
SAN DIEGO, CA 92101**

ADOPTION AGENDA, DISCUSSION, HEARINGS

NOTICED HEARINGS:

ITEM-S500: Issuance of a Multifamily Revenue Bonds for Hillside Gardens Apartments.

(Darnall Community Area. District-7.)

(Continued from the meeting of July 20, 2004, Item 332, at the request of Councilmember Peters, to allow Councilmember Madaffer to be present.)

NOTE: Hearing open. Testimony taken on July 20, 2004.

SAN DIEGO HOUSING COMMISSION’S RECOMMENDATION:

Adopt the following resolution:

(R-2005-24)

Approving the issuance of bonds by the Housing Authority of the City of San Diego, for the acquisition and rehabilitation of Hillside Gardens Apartments, pursuant to Section 147(f) of the Internal Revenue Code of 1986.

SUPPORTING INFORMATION:

The San Diego Housing Commission recommends that the City Council adopt a resolution approving the Housing Authority's official intent to issue multifamily housing revenue bonds for up to \$27 million for the Hillside Gardens Apartments. The Housing Commission also requests that the City Council hold a noticed, public hearing, in accordance with Section 147 (t) of the Internal Revenue Code of 1986. These actions are required by the Internal Revenue Code in order for the interest on the bonds to be tax-exempt.

ADOPTION AGENDA, DISCUSSION, HEARINGS (Continued)

NOTICED HEARINGS: (Continued)

ITEM-S500: (Continued)

SUPPORTING INFORMATION: (Continued)

Approval of the recommended items will in no way commit the Housing Authority to issue bonds for the project. The recommended actions do not represent any commitment by the Housing Authority or the applicant to proceed with the financing of the project. If bonds are eventually issued, the financial risks associated with the project will be minimal since repayment of the bonds will be guaranteed by a third party.

The Project

The Hillside Gardens Apartments are located at 5802 University Avenue in Council District 7. The project currently consists of 380 units, with 95 units restricted at 65% of the area median income (\$44,550 for a family of four). Without future involvement by the Housing Authority, the current restrictions on the property will expire in 2005, and the restricted units would convert to market rents. The Housing Commission is currently working with the developer, to preserve the rental restrictions on a portion of the project's units. As part of a new financing, the Housing Commission is analyzing the feasibility of issuing multifamily housing revenue bonds for the project. A bond financing would require that at least 20% of the units (76) would be restricted at 50% AMI (\$34,250 for a family of four).

Prior Actions

On November 14, 2003, the Housing Commission approved the selection of bond counsel and a financial advisor to work on the project. In addition, the Housing Commission recommended that the Housing Authority and City Council take the initial steps to issue bonds for the project. On November 18, 2003, the Housing Authority adopted a resolution setting forth the official intent to issue bonds for the project. Due to a problem with docketing, the City Council resolution and the public hearing did not appear on the agenda at that time.

Future Actions

Approval of the recommended items would permit an application to be submitted to the State for an allocation of bond issuing authority. If the project receives a bond allocation, specific authorization to issue bonds for the project will be sought from the Housing Commission and Housing Authority at a future date. At that time, staff and its financing consultants will have completed all feasibility analysis for the project. Also, at that time, a set of substantially final bond documents will presented to the Housing Authority for approval.

ECM/CF/PGA